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ARIZONA CORPORATION COMMISSION

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October 12, 2005

Mr. Richard K. Davidson
Chief Executive Officer
Union Pacific Railroad Co.
1400 Douglas Street, Stop 1560
Omaha, NE. 68179

Re: Safety of the proposed Union Pacific set-out facility in Tempe.

Dear Mr. Davidson:

Union Pacific's decision to build a set-out, or storage facility, for industrial railcars in a Tempe neighborhood that adjoins a hospital, a neighborhood and a high school, has raised serious concerns among several Commissioners as well as Tempe city officials and residents.

In response to those concerns, on October 4, Commissioner Mundell and I held a teleconference call with Terry Simms, UP's attorney in Phoenix, as well as UP's Tony Hancock and Jim Farmer to discuss potential alternatives to the siting of this facility and security issues related to it.

I remain troubled by this proposal and would like UP to provide the Commission with answers to several outstanding questions.

First, given the proximity of the storage facility to a school, a hospital, and a residential neighborhood, will UP reconsider its proposal or agree to postpone the construction of the facility until a more thorough analysis of alternatives can be completed? Moreover, if the storage facility were to be built, could the Railroad assure the City of Tempe and the Corporation Commission that no railcars containing hazardous materials would be stored there?

If UP insists on moving forward, I would like assurances that the security of the storage area would be bolstered. Currently, the Company plans to construct a 6-foot chain-link fence around the facility. However, this appears on its face inadequate to prevent all trespassing or potential vandalism. Will UP consider further enhancements to the security of this proposed set-out facility, such as increasing patrols or enhancing the physical barriers to entry into the storage area? Additionally, has the Railroad contacted the state's Homeland Security Director Frank Navarette to inform him of its plans to build a storage facility at this location?

Second, I am concerned that while UP has stated that this proposed facility will only store a limited number of cars, the Company could at some point attempt to expand the storage site to

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include cars from the Phoenix area. Will you provide assurances that you would not seek to expand this set-out facility?

Third, UP officials stated that they had done no foot-traffic study around or near the proposed set-out facility. Prior to moving forward with the set-out facility, will UP conduct such a study?

Fourth, what plans does the Railroad have for addressing the concerns of the City of Tempe on a going forward basis?

Finally, I plan to raise this issue at an upcoming Staff Meeting of the Corporation Commission in order to receive a briefing from our Railroad Safety Division Chief Brian Lehman about the proposal and to review our options.

Thank you for your consideration of these matters.

Sincerely,

A handwritten signature in black ink, appearing to read "Kris Mayes", with a stylized flourish at the end.

Kris Mayes
Commissioner

cc: Chairman Jeff Hatch-Miller
Commissioner Marc Spitzer
Commissioner William Mundell
Commissioner Mike Gleason
Brian Lehman
Ernest Johnson
Heather Murphy
Frank Navarette
Hugh Hallman